

Message Text

CONFIDENTIAL

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10

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 L-02 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 AID-05 /045 W

----- 078295

R 181010Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 677

INFO AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

CONFIDENTIAL MANILA 2106

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACT PROBLEM

REF: A. STATE 34889 (NOTAL); B. MANILA 1792; C. MANILA 1020;
(NOTAL) D. MANILA 2101

1. WE BELIEVE COMPLETE REFLECTION OF FILIPINO POSITION ON
COTTON CONTRACTS IS NOW CONTAINED IN DRAFT PROPOSAL BEFORE US
AS REPORTED REF BN WHICH HAS APPROVAL OF SECFINANCE VIRATA AND
CENTRAL BANK GOVERNOR LICAROS. DEP CHAIRMAN VIRATA AND OTHER
CABINET RANK OFFICIALS STATED THAT THIS PROPOSAL WAS UNDER
PREPARATION DURING CALL OF ASSTSEC YEUTTER ON PHILIPPINE
MONETARY BOARD AND ON OFFICIALS OF THE DBP LATER IN THE SAME
DAY, AS CITED REF C. WHILE WE ALSO RECALL THAT DBP CHAIRMAN
DID NOT MENTION ANY ADDITIONAL CREDIT COMPONENT IN HIS TALK
WITH ASSTSEC YEUTTER, IT IS CLEAR ENOUGH THAT FINSEC
VIRATA WAS THINKING ABOUT FURTHER CCC CREDITS OR ALTERNATE
SWEETENERS IN HIS WASHINGTON TALK WITH UNDERSECRETARY
ROBINSON AND IN TALK WITH EDMOND HERE. THIS IS AMPLY
REFLECTED IN THE PROMISED PROPOSAL. FYI FINAL TEXT OF
PROPOSAL WHICH WE NOW DISCUSSING WITH DBP ALSO HAS INCLUDED
A REQUEST FOR PL-480 ASSISTANCE. END FYI.

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2. RESPECTING PROSPECTS THAT QUOTE MILLS WILL HONOR EXISTING CONTRACTS WITHOUT DELAY UNQUOTE, EMBASSY HAS NEVER BEEN SANGUINE AND IS HARDLY SANGUINE NOW. THE INVENTORY POSITION IS PRESENTLY TOO LONG, AND THE LIKELIHOOD OF IN COUNTRY OFFICIAL OR OFFICIALLY-SUPPORTED STORAGE WITHOUT SOME FURTHER INDUCEMENTS IS CONSIDERED REMOTE. IT MAY BE THAT SOME FURTHER CCC CREDIT WILL ASSIST A SOMEWHAT STRETCHED OUT COMPLIANCE WITH OVERDUE L/CS, IF THERE ARE NO FURTHER SELLING FORAYS BY U.S. EXPORTERS IN THE MEANTIME. IN THIS RESPECT WE ARE ENCOURAGED BY A REPORTED MORATORIUM ON NEW SALES, A STEP WHICH WE BELIEVE ABSOLUTELY ESSENTIAL TO A FAVORABLE OUTCOME.

3. AS TO THE SUGGESTION, PARA 2 REF A THAT FILIPINOS ENJOY A COMPARATIVELY LARGE SLICE OF CCC CREDITS RELATIVE TO OUTSTANDING CONTRACTS, WE CANNOT IGNORE THE SIMPLE FACTS THAT (A) WE HAVE ENJOYED A PRACTICAL MONOPOLY OF THIS MARKET; AND (B) WE HAVE DONE SO WITH PERIODIC INFUSIONS OF CCC AT PRESENT LEVELS. SINCE AT ITS WORST THE PROBLEM IN THE PHILIPPINES IS A SMALL PART OF THE TOTAL CONTRACT ISSUE, IT APPEARS TO US THAT WE CAN SWEETEN THE POT WITH SOME FURTHER INDUCEMENT LIKE ADDITIONAL CCC -- WHICH COSTS US VERY LITTLE -- OR WE CAN TRY TO BRAZEN THIS OUT. WE DON'T SEE MUCH CREDIBILITY OR MUCH FUTURE IN THE LATTER COURSE.

SULLIVAN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA02106
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750057-0528
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750235/aaaabfsu.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. STATE 34889 (NOTAL); B. MANILA 17, 92; C. MANILA 1020;
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2003 by ShawDG>; APPROVED <18 NOV 2003 by WorrelSW>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COTTON CONTRACT PROBLEM
TAGS: ETRD, RP, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006